
GROUP INSURANCE COMMISSION

Providing Massachusetts State Employees, Retirees, and Their Dependents with Access to Quality Health Care at a Reasonable Cost

Fiscal Years 1999 & 2000 Annual Report

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Commonwealth of Massachusetts

GROUP INSURANCE COMMISSION

Fiscal Years 1999 and 2000 Annual Report

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Dear Friends:

Whether it is summer, fall, winter, or spring, the Group Insurance Commission is working hard for our enrollees. And Fiscal Years 1999 and 2000 were no exception. Pursuing the seemingly incompatible objectives of providing quality health care while controlling costs is a challenge, albeit one we relish. I think you will agree, after reading this report, that we accomplish both goals well.

That's not to say it has been easy, particularly given the tumult in the health care industry. Our largest HMO was placed under court-ordered receivership in January of 2000. Other top quality health insurers faced spiraling losses from increased health care and pharmacy costs, and in some instances, failed attempts at expansion outside of Massachusetts. Additionally, many health care providers have endured major cuts in reimbursement from the federal government under a cost saving program implemented for Medicare as part of the Balanced Budget Act of 1997.



Despite this environment, the GIC continued to protect our members. When HMOs pulled out of certain geographic markets, the GIC quickly gave our enrollees other options. We launched new programs to improve enrollees' health including the Coronary Artery Disease and the Indemnity Plan's Premier Plus programs. We extended mental health parity to our HMO plans — making mental health benefits comparable to other medical benefits. The GIC continued to be a formidable negotiator with our health plans to keep rates reasonable. And, we revamped our communication materials to provide additional tools for enrollees – to give them more information about their health care choices, so they can be more informed consumers.

The proof is in the pudding, as they say, and we were very encouraged to find that enrollees are pleased with their GIC benefits. In a survey conducted in December of 1999, 91% of active employees and 98% of retirees told us they were satisfied or very satisfied with their GIC health insurance!

As the seasonal cycles begin anew, we continue to work diligently for our enrollees. The GIC is working on major benefit plan procurements for the next three years, and a major focus will be how we can contribute to improving patient safety. We are also developing a comprehensive web site to enable more timely communication, improve service levels, and provide more up-to-date tools to enrollees.

The GIC is committed to our enrollees year round. Thank you for your ongoing support of our mission.

Sincerely,

A handwritten signature in dark ink, which appears to read "Dolores L. Mitchell". The signature is fluid and cursive, written over a light background.

Dolores L. Mitchell
Executive Director

GIC COMMISSIONERS WORK FOR ENROLLEES THROUGHOUT THE YEAR



Vice Chair Robert W. Hungate (left) makes a point during a Commission meeting. Representing the Division of Insurance, Lou Freedman listens.

A Brief History

The Group Insurance Commission (GIC) was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, along with their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, and retired municipal teachers in certain governmental units.

The Group Insurance Commission is a quasi-independent state agency governed by an eleven-member Commission appointed by the Governor. Commission members' interests and expertise encompass labor and retirees, the public interest, the administration, and health economics.

Challenges Faced

How can we provide quality health care and keep costs to enrollees and the Commonwealth down? That's the mission every Commissioner grapples with monthly. As the governing body for the GIC, the Commission has the final say on all critical decisions and their effect on enrollees and Massachusetts taxpayers:

ORDINARY CHALLENGES:

- ▼ Which health plans will we offer?
- ▼ What will our rates be?
- ▼ What benefit enhancements make sense, and what are the tradeoffs?
- ▼ Which consultants will provide the best value and services to the state?
- ▼ Are we on track with our budget?
- ▼ What expenditures should we approve?
- ▼ Are our premium reimbursements from housing and redevelopment authorities on track?

NEW CHALLENGES:

- ▼ How can we manage escalating pharmacy costs of 21% per year?
- ▼ How do we provide plan choice with health plan consolidations?
- ▼ How can we protect Medicare enrollees from HMO market withdrawals?
- ▼ What leverage can we exert to improve patient safety and reduce medical mistakes?
- ▼ How can we keep the indemnity plan affordable when more retirees and sicker people join it and healthier, younger people choose HMOs?



GIC COMMISSIONERS WORK FOR ENROLLEES THROUGHOUT THE YEAR

"The Group Insurance Commission is the most important activity I am involved in because of its unique opportunity to improve, perhaps even reform, health care. Our customers are beneficiaries, employees, retirees, their dependents, taxpayers and the legislature and administration that represent them, and the staff of the Commission. Meeting all these customers' needs requires buying the best health coverage, through effective health care policy, at the best price."

Commissioner Robert W. Hungate, Vice Chairman



"I am proud to be a member of the Group Insurance Commission and to work with such a devoted group of individuals whose collective goal is to bring the best retirement package to our state retirees and employees. I believe our goal for FY99 and FY00 was to maintain the best coverage within an affordable range, and I know we will continue to do so for the many state retirees and employees who have served the Commonwealth well."

Commissioner Alfred A. Fondacaro, Jr., Retired State Employee

"I believe that the GIC's responsibility is to provide Massachusetts state employees and retirees with access to all necessary medical treatment at a reasonable cost. Residents of Massachusetts are fortunate that some of the best medical care in the world is provided here in this state. No state employee or retiree should be denied access to high-quality medical care for financial reasons."

Commissioner Richard Waring, NAGE



"I see the GIC and the role that it plays in the changing world of health care insurance as critical to the state employees and retirees that I represent. I am committed to providing excellence in health care at reasonable costs both to the plan participants and the taxpayers of the Commonwealth."

Commissioner John P. Walsh, Local 254, S.E.I.U.

"The GIC Commissioners have a vital role in assuring that those who buy insurance through the Commission have access to essential and affordable coverage. I am glad that I have had the opportunity to serve."

Commissioner of Insurance, Linda Ruthardt



"How shall we provide quality health care for the state workers of Massachusetts and their families? I have been impressed by the way the GIC answers that question. It uses Volkswagen resources — e.g., the staff is spare, the Commissioners are unpaid — yet achieves Cadillac results. There is a secret to the Commission's success in traversing the rapidly changing and treacherous terrain of health care today. It is the Commission's ability to strike an appropriate balance between prudence and innovation, and the willingness of a superb staff and diverse, but devoted, commissioners to work together toward common goals."

Commissioner Richard J. Zeckhauser

GIC COMMISSIONERS WORK FOR ENROLLEES THROUGHOUT THE YEAR

"Although the issues of quality, responsible health care have come to the fore more recently, the Group Insurance Commission has been addressing that issue for years, one patient at a time. With the addition of Express Scripts drug coverage, that tradition of quality care continues, and I look forward to working with the GIC to insure that tradition in the future."

Stephen Crosby, Secretary of Administration and Finance



"The Group Insurance Commission does an outstanding job in providing quality health care to tens of thousands of families throughout our state and I am glad to be a part of that effort."

Peter V. Forman, Designee for Secretary of Administration and Finance

"I am a new Commissioner who is learning the importance of the work this Commission does. I believe this is the place to work to provide the best possible benefits for our members at reasonable costs. I am grateful to hold a labor seat and have this avenue to help working families in this area. I look forward to learning more as my term continues."

Commissioner Chrystene L. Zarazinski, Council 93, AFSCME, AFL-CIO



"This proved to be a challenging time for the GIC. Premiums were rising and insurers and providers faced significant pressures. I was pleased to be part of the Commission, and its staff, who together worked hard to maintain our commitment to our constituents, and to find ways to stretch premium dollars. The individual commissioners, who come from a variety of backgrounds, are creative and thoughtful in deliberating and decision making as a cohesive unit."

Commissioner Janice B. Wyatt

Fiscal Years 1999 and 2000 Accomplishments

- ✓ Mental Health Parity extended to HMOs July of 1999.
- ✓ New Pharmacy Benefit Manager selected yielding \$9 million savings to the Commonwealth and enrollees.
- ✓ Market-Based Reimbursement implemented for Indemnity Plan, saving the Commonwealth and enrollees an estimated \$29 million in FY99 and another \$35 million in FY00.

- ✓ Benefits were enhanced: Annual preventive pediatric examination for ages 6 to 18 was added to the Indemnity Plan. Vaccinations and immunizations for prevention of infectious disease coverage, and hearing aid coverage were added to all plans.
- ✓ Benefits and definitions were standardized across all plans for occupational and physical therapy, durable medical equipment, dental benefits, and reconstructive surgery.
- ✓ Hospice benefits were expanded for the Indemnity Plan and PPO.

PLAN CHOICE

The GIC provides an array of choice for enrollees. Enrollees can select a comprehensive indemnity plan with freedom of choice. Or, they can enroll in an HMO with a defined network of providers, or in a PPO with a network and an out-of network option.

TEN NON-MEDICARE CHOICES:

- GIC Indemnity Plan with CIC
- GIC Indemnity Plan without CIC
- GIC Indemnity Plan PLUS
- Commonwealth PPO
- CIGNA HealthCare
- Fallon Community Health Plan
- Harvard Pilgrim Health Care
- Health New England
- Neighborhood Health Plan
- Tufts Health Plan

NINE MEDICARE CHOICES:

- GIC Indemnity OME with CIC
- GIC Indemnity OME without CIC
- CIGNA CentralCare
- Fallon Senior Plan Preferred
- Harvard Pilgrim First Seniority
- Harvard Pilgrim GIC Retiree Plan
- Health New England Medrate
- Tufts Health Plan Secure Horizons
- Tufts Medicare Complement

GIC's ABC's

Indemnity Plan:

A comprehensive managed insurance plan providing reimbursement or direct payment for defined benefits without regard to the medical provider's location or affiliation. UniCare administers all GIC Indemnity plans.

PPO (Preferred Provider Organization):

A network of doctors, hospitals, laboratories, and other health care providers who participate in a managed care plan. Members receive greater benefits for network-based care. Tufts Health Plan administers the GIC's Commonwealth PPO.

HMO (Health Maintenance Organization):

Networks of doctors, hospitals and other health care providers within a certain geographic area, called service areas, who participate in a managed care plan. HMOs do not offer out-of-network benefits.

The GIC meets regularly with our health plans. The GIC's Judy Settana, UniCare's Dr. Robert Sorrenti, and the GIC's Deputy Director, Robert Johnson (left to right) listen to GIC Executive Director, Dolores L. Mitchell.



ENROLLEES ARE SATISFIED WITH THEIR GIC BENEFITS!!!

In December of 1999, the GIC surveyed both active and retired enrollees. Survey results showed that:

- ▼ 91% of active employees were satisfied or very satisfied with their GIC health insurance
- ▼ 98% of retirees were satisfied or very satisfied with their GIC health insurance
- ▼ 80% of active employees and 93% of retirees were happy with their plan's physician access
- ▼ 78% of active employees and 89% of retirees were satisfied or very satisfied with their prescription drug benefit

OTHER GIC BENEFITS:

In addition to health care, the GIC administers basic life insurance and optional life insurance benefits. These programs are administered by CIGNA. For active employees, the GIC also offers Long Term Disability benefits through The Hartford. This is an income replacement program providing a tax-free benefit of up to 50% of salary if illness or injury renders employees unable to work for longer than 90 days. For the Legislature and its staff, employees of the executive offices, and managers without union-based benefits, the GIC also provides dental/vision benefits.

Although the GIC was encouraged that our hard work produced these results, we're not resting on our laurels. We will continue to work for enrollees year round!



The Systems and Information Technology's data entry unit enters and verifies 56,200 new enrollments, 7900 family data changes, 16,700 personal data changes, and 2200 annual enrollment carrier changes annually. Given this volume, accuracy is crucial. The department instituted a quality control system, batching forms into groups of 50 or 100 for entry, and having a team member verify the entries of his or her coworker. The unit's Maria Yance cross checks a co-workers' entries.

Summer
New fiscal year begins

Annual enrollment changes go into effect July 1

Spending plan prepared

Summer newsletter released

Year Round
Commission meetings

Enrollee service and processing

PRESCRIPTION DRUGS

Prescription Drug Challenge

One of the biggest challenges for the GIC was the precipitous increase of pharmaceutical drug costs. Annual GIC prescription drug costs through 1996 were increasing at or below 10% annually. Since 1997, GIC pharmacy costs for the Indemnity Plan and Commonwealth PPO escalated at an average rate of 21% per year.

- ▼ The Commonwealth paid \$660 per GIC member in FY99, almost double the \$365 it paid per member in FY96
- ▼ The average number of mail and retail drug prescriptions increased to 20.94 per member per year in FY99, up from 12.81 in FY96

What was driving this kind of price escalation? According to Towers Perrin, a national health care consulting firm, there were three factors at work:

- ▼ Increased utilization: The public was demanding more prescriptions when they went to the doctor; doctors were prescribing more prescriptions, and prescribing them for longer periods of time.
- ▼ Increased introduction of new drugs by pharmaceutical companies: In general, new drugs were more expensive than the drugs they were replacing because they were “on patent,” meaning only one drug manufacturer can produce the new drug for years, thereby prohibiting a competitor from making a less expensive or a generic version of the drug.
- ▼ Inflation: Although a factor, it represented 3 to 4% of annual cost increases. Utilization was far more important.

Tackling the Problem

In FY99 the GIC increased its co-pay amounts for the GIC Pharmacy Program, the pharmacy benefit for Indemnity Plan and Commonwealth PPO enrollees. This was the first time in seven years that the GIC had to implement an increase. For FY01, the Commission voted to put in place a three-tier co-pay system. This structure provided an incentive to use generic or preferred brand name drugs, whose retail co-pays did not increase from the previous year. Most GIC HMOs also instituted a three-tier structure, and, in general, their co-pay structure was somewhat higher than the GIC Pharmacy Program.

The GIC encouraged our members to take advantage of the savings and convenience mail-order refills provided for regularly prescribed medications. The GIC developed a comprehensive communication approach to keep members apprised of what was happening in the marketplace and give additional information to assist enrollees with these benefit changes.



Summer

Medicare Part B refund issued

Procurement process begins – benefit changes analyzed

Communication strategy devised

Audits conducted

MENTAL HEALTH

Benefit Expansion

The GIC extended mental health parity to all 70,000 active and retired state employees enrolled in HMOs on July 1, 1999. (Indemnity and PPO Plan participants have enjoyed this coverage since July 1, 1993.) Many HMOs capped coverage for the treatment of mental health and substance abuse issues. The GIC required our HMOs to remove all day and dollar limitations for mental health and substance abuse coverage. Now the clinical necessity for the care is the criterion, just as it is on the medical and surgical side.

The GIC made this change because we believe that health insurance coverage for mental health conditions should be treated on a par with coverage for medical conditions. The press noted these efforts and mental health advocates were very pleased at the GIC's actions. Our benefit enhancement was cited as the model and impetus for subsequent passage of legislation mandating mental health parity for all Massachusetts subscribers. This legislation, passed in May 2000, extended mental health benefits to workers employed by all Massachusetts companies of fifty or more.

Employee Assistance Program Helped State Agencies

The GIC's Employee Assistance Program (EAP) was used by a variety of state agencies during FY99 and FY00. United Behavioral Health, the administrator of the GIC plan, reported that the number of agencies using benefits for their employees in FY00 more than doubled FY99's requests. The services or consulting advice requested included: stress management, traumatic incident services, disgruntled employees, inappropriate or abusive behavior, hygiene issues, potential violence, and substance abuse.

"I am writing to you to let you know how very much we all appreciated Sue's coming here," wrote Kathleen Morrissey, Head Administrative Assistant of the Hampshire Probate and Family Court after a woman leaving the Court was murdered by her husband. "She gave everyone an opportunity to express their feelings, and begin the healing process. . . . Those who participated have repeatedly spoken of how much she helped them....I would like to thank you for offering this program through the EAP for state employees. It has left a positive impact on all of us."

Fall

HMO site visits

Fall newsletter released

Begin rate renewal process

Prepare Request For Response to select new providers

Benefit statement and Decision Guide planning

Year Round

Partnering with groups

Consulting with experts

INNOVATIVE HEALTH PROGRAMS

Coronary Artery Disease Program

In FY99 the GIC required our HMOs to join our Indemnity Plan and PPO plans in providing a Coronary Artery Disease (CAD) prevention program. Now all GIC enrollees who have been diagnosed with CAD are eligible to participate. The GIC's CAD program is an integrated behavioral and lifestyle education program focusing on risk factors that can be changed. Components include dietary change assistance, stress management, exercise, and group support meetings.

Quality Breakthrough Initiative

In FY99, the GIC mandated that each of our HMOs identify an under-treated or under-recognized illness that drives up health care costs and harms enrollee health. Each HMO agreed to a performance guarantee of \$100,000 to develop pilot programs to improve the health of their members. Some of the questions that the GIC's six HMOs are attempting to answer through pilot programs they are sponsoring include:

- ▼ Can physicians better identify patients with depression and get them into treatment?
- ▼ How can diabetics be helped to better manage their disease so they can avoid some of its complications?

- ▼ Children often are prescribed antibiotics they don't need, contributing to the rise in antibiotic resistant bacteria - how can that practice be reduced?
- ▼ How can we encourage heart attack patients to adopt healthier lifestyles?

Final analyses of these programs will be released in spring 2001, but preliminary results are encouraging. Fallon Health Plan is sponsoring a Coronary Artery Disease intervention program; intermediate results show a 59% reduction in hospital readmissions, a statistically significant reduction in depression, and an initial smoking cessation rate of sixty-six percent. Harvard Pilgrim Health Care is sponsoring a "QBI" to better identify patients with depression. The physicians who have embraced the program were able to increase their identification of depressed patients by seven percent, better ensuring that these patients obtain the care they need.

Fall
Submit legislation
Benefit changes considered
Annual Report published



The Public Information Department, within the Administrative Services Division, services almost half of the agency's inbound calls: 5,200 letters and 7,100 walk-in requests annually. Karen Ryan reviews benefit choices from a Benefit Decision Guide.

INNOVATIVE HEALTH PROGRAMS

"DO IT": A Diabetes Management Program

The GIC premiered a DO IT Diabetes Support Program in FY00. Administered through the Indemnity Plan, this program is designed for patients having difficulty managing their diabetes. It includes three and a half days of outpatient training at the Joslin Clinic in Boston. Intensive education and support assists patients with controlling their blood sugar levels, measurements that indicate risk for heart disease and stroke. Satisfaction survey results indicate that members learned how to recognize signs and symptoms of high and low blood sugar, believed themselves better able to manage their diabetes as a result of participation in the program, and would recommend the program to others.



The GIC works in partnership with its Indemnity Plan to develop comprehensive and effective health management programs. UniCare's Barbara Posnick (left) and GIC's Helena Rubinstein participate in a discussion about the PREMIER program.

"The DO IT program provided me with individual daily sessions with a physician, case manager, exercise program, nutritionist, social worker and lab work. I...met many wonderful people who cared about my condition. I was taught proper dieting, what lows and high blood levels are. I...never knew what to do for this except call my doctor. Now I know what to do....I know that my health overall will improve and that I will manage diabetes. This is a wonderful feeling for me to be in control of me."

P. Ryan, Medford, MA

"I can't praise this program enough! I have every reason to expect better control because of information, support and medical care."

M. Hunt, Saugus, MA

"I am writing to you to express my gratitude for the GIC's DO IT Program. This program will benefit all diabetic patients and their families....It allowed me to learn about details that I didn't think to ask about when I first became diagnosed....It brought me up to date with new advances that are occurring with this disease and the treatments being offered. The Joslin team changed my insulin treatment, ... allowing me better control of my blood sugars....I left feeling more inspired to manage my disease. I hope you will continue to offer programs such as this one to your subscribers. I feel spending money up front for education may save money in the long run, and your subscribers will be healthier and happier for it. Keep up the good work."

P. Griffin, Malden, MA

Winter
Benefit Statements mailed
Winter newsletter released

INNOVATIVE HEALTH PROGRAMS

Premier Plus Health Management Program

Over 12,000 GIC Indemnity Plan members with chronic health conditions were selected to participate in a free health management program, which began in the spring of 1999. Each participant is assigned a registered nurse who serves as a personal health advisor. Premier participants receive plan-sponsored customized health assessments, individualized health education materials, interventions, and counseling over the one to two year pilot program.



The GIC's Garen Corbett was a co- founder of the Massachusetts Compassionate Care Coalition.

"Thank you for inviting me to participate in the health enhancement program called PREMIER. The questionnaire made me aware of ways I could improve my overall health. Just wanted you to know how much I appreciated being included."

A. Rogan, Beverly, MA

"I would like to express my sincere appreciation to GIC for establishing the PREMIER Health Service. Over the past months I have had numerous occasions to use this service and have been helped by Patricia Baum at the staff. She has been such a comfort to me and I hope that this program is continued. Many people need such a source of aid, information, and comfort."

R. Bachmann, Andover, MA

Year Round
Legislation
Research

Winter
Rate negotiations

New Medicare calendar year
rates implemented

HMO contract changes prepared

Budget negotiations

Public hearing

Enrollment communication materials finalized

Benefit statement changes processed

PROVIDING TOOLS FOR QUALITY OF LIFE

Communicating

Our communication efforts continued to evolve to complement, promote, and ensure the delivery of quality health care at a reasonable cost. The GIC increased the number of articles in each quarterly For Your Benefit newsletter devoted to ways enrollees can promote their own health and well-being. Each issue featured an article devoted to a HEDIS measure for quality care, a criterion established by the National Center for Quality Assurance (NCQA). The FY00 Benefit Decision Guides included a HEDIS report card on HMOs offered by the GIC. The agency web site was updated to include the spring 2000 health fair schedule and FYB newsletters in a downloadable format.

The winter 2000 customized benefit statements were enhanced to include additional benefit information. In conjunction with the State Retirement Board, a retirement worksheet was added for active employees to calculate their retirement benefits. These statements also included all-inclusive forms for enrollees to make changes to ensure that the GIC's enrollee information was accurate and up-to-date.



A subcommittee meets weekly to determine how the agency's web site will be implemented according to design, operational, and legal concerns. Pictured left to right are Paul Murphy, Nancy Bolduc, Lisa Lee, and Cindy McGrath.

GIC Recognized for Our Initiatives

GIC AWARDED BEST BENEFITS PRACTICE

The New England Employee Benefits Council (NEEBC), the nonprofit regional benefit association, bestowed on the GIC its 1999 "Best Benefits Practices" award for our mental health parity initiative. The NEEBC recognizes employers who have demonstrated standards of excellence in employee benefits.

GIC RECOGNIZED FOR COMECC PARTICIPATION

The GIC was recognized for supporting the Commonwealth of Massachusetts Employees Charitable Campaign (COMECC). One hundred percent of GIC's staff contributed to COMECC in FY00, supporting a variety of private, non-profit health, human services, and environmental organizations. The GIC was one of fifteen agencies realizing a 100% participation rate and also ranked eighteenth in the amount contributed per employee.

GIC MEMBERS OF TECHNOLOGY ENHANCEMENT GOVERNOR'S ACHIEVEMENT AWARD

The GIC's Lisa Lee and Paul Murphy were recognized for their contributions in the creation and implementation of the new Human Resources Compensation Management System (HR/CMS). As members of the Technology Enhancement Team, they shared in one of the two FY00 Governor's Special Achievement Awards. The Technology Enhancement Group was also cited for its efforts in ensuring Y2K compliance and in making possible the Commonwealth's technology advancement.



PARTNERING TO MAKE A DIFFERENCE

As one of the largest purchasers of health care in New England, the GIC was frequently called upon to share knowledge, expertise, and market influence with other agencies of state government and with private organizations. The GIC actively promoted our mission in the following capacities.

Massachusetts Healthcare Purchasers Group

The GIC was an active member of the Massachusetts Healthcare Purchasers Group (MHPG), with GIC Executive Director, Dolores L. Mitchell, serving as President of the organization during 2000. MHPG is an advocacy group for accountability, higher quality, and controlling health care costs for private and public health purchasers.

Massachusetts Health Data Consortium

The GIC was an Institutional Member of the Massachusetts Health Data Consortium in both 1999 and 2000. The MHDC is a neutral agency independent of special interests. It collects, analyzes and disseminates health care information.

Human Resources/Compensation Management System (HR/CMS):

The GIC's Executive Director and Deputy Director served on the Executive Committee of the new statewide integrated payroll/computer system that was implemented in March of 2000. The GIC's Systems and Information Technology Director and Assistant Operations and Services Director were leading participants in integrating GIC's benefit information with the new system.

Massachusetts Compassionate Care Coalition

The GIC was a founding member of the advocacy

coalition, the Massachusetts Compassionate Care Coalition, committed to improving the quality and availability of compassionate end-of-life care. The MCCC is composed of over 50 organizations devoted to alleviating suffering and enhancing the quality of life for persons nearing the end of life. Each contributor provides resources to navigate end-of-life care.

Mental Health Parity Work Group

The GIC's Legal Counsel worked with the Department of Mental Health and the Legislature to help draft legislation to extend to all Massachusetts health insurance subscribers the same kind of comprehensive mental health coverage that the Commission provides to all state employees and retirees. This legislation passed in May of 2000.

Associated Industries of Massachusetts

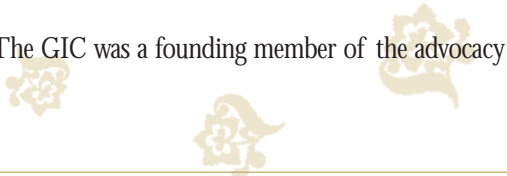
The GIC's Executive Director served on the Health Care Committee for the Associated Industries of Massachusetts (AIM). This group is composed of businesses, health plans, and state agency representatives who track legislation and contribute their expertise and views on health policy issues.

Privacy

The GIC's Legal Counsel served as liaison to several groups addressing concerns about balancing the need for patient privacy with legitimate health policy research.

County Government Abolition Team

The GIC's Deputy Director and Director of Operations and Services were major participants in the Task Force that deals with the logistical, legal, and operational details of integrating county employees into state service.



CONTROLLING COSTS

In FY99 and FY00 financial woes permeated the marketplace. HMOs lost money. Harvard Pilgrim Health Care was placed under state receivership in January 2000. Kaiser Permanente withdrew from New England in January 2000. Tufts HMO and Harvard Pilgrim Health Care withdrew from geographic regions where they were sustaining financial losses. Medicare cut reimbursements and Medicare HMOs shrank. Providers pushed back: physicians refused to enter into contracts with HMOs and hospitals left networks. Adding to the crunch were new cost drivers. The population was aging, expectations continued to rise, and new technology offered more effective but more costly treatment.

Even in the midst of health care turmoil, the GIC was successful in controlling costs. The GIC used a multi-faceted approach to tackle these challenges and ensure prudent management of our \$1.8 million per day health care budget.

Encouraging Better Outcomes

Through the GIC's array of health management



What will the state's employment turnover rate be? Will there be geographic changes made by health plans? Which counties or quasi-government agencies might switch to GIC coverage? What premium rates will be negotiated? What new health plans might the GIC offer? These are some of the issues the agency projects to devise its budgets. Robyn Olson and David Czekanski discuss the FY01 budget.

programs outlined on pages 9 through 11, the GIC had our plans devise programs to better manage high cost/under-treated diseases. These disease management programs improved the flow of information, improving longevity and quality of life, and decreasing costs.

Sharing the Burden of Escalating Pharmacy Costs

Increased utilization and introduction of new drugs by pharmacy companies continued to drive up pharmacy costs. Pharmacy companies aggressively marketed to providers and consumers, driving up demand.

The Commission tackled this escalation on a number of fronts. In July of 1999 it increased the retail brand name drug payment by \$5 and the 90-day mail order co-payment by \$6. At the same time it adopted a new retail pharmacy network that offered better discounts. It also adopted a drug utilization review program to improve patient safety and prescribing patterns. (The GIC's HMOs were forced to raise their co-pay structure even more dramatically.)

Market-Based Reimbursement Implemented

The GIC data revealed that, for precisely the same procedure at the same hospital, the state was charged vastly more for a patient with Indemnity Plan coverage than for one belonging to an HMO. It became apparent that hospitals and outpatient providers were using the Indemnity Plan to subsidize the discounts they had given to HMOs. As a result, in FY99 the Commission and actuaries from the Indemnity Plan developed a reimbursement schedule that would bring its payments closer to those made by HMOs. Net result: the GIC saved the Commonwealth and insureds an estimated \$29 million in FY99 and another \$35 million

CONTROLLING COSTS

in FY00. State law prohibits providers from balance billing Indemnity Plan subscribers for covered services.

Negotiating with Plans

Each year the GIC was faced with ever-rising premium requests from health plan vendors. While the GIC recognized that all components of health care are escalating, we also recognized our responsibility to enrollees and the

taxpayers of the Commonwealth to keep costs down. The GIC carefully analyzed all rate requests, and aggressively negotiated with each plan. As a result of these negotiations, the GIC reduced the proposed administrative costs on our Indemnity Plan in FY00. We also achieved substantially lower rate increases than the HMOs submitted. In FY99, the GIC achieved savings of \$2.2 million over original HMO rate increase requests. In FY00 the GIC negotiated savings of \$4.4 million over the original requests.

MAKING IT HAPPEN

Through concerted efforts, GIC's staff made FY99 and FY00 results possible. The GIC team worked together to serve enrollees, state agencies, and the Commonwealth.

Operations and Services

The Operations and Services Division processes enrollment and coverage changes for insureds and resolves eligibility matters with the insurance carriers. The department also provides training and technical support to GIC Coordinators at 950 locations throughout the state. During FY99 and FY00 several counties were abolished, and the department successfully integrated these insureds into the state's benefit system, ensuring uninterrupted health coverage. County government was abolished in Middlesex, Hampden, Worcester, Hampshire, Essex, and Berkshire counties, as well as part of Suffolk County, during this time period. The Operations and Services Division successfully transferred over 3600 enrollees to GIC coverage.

The Operations and Services Division also successfully transferred administration for Long Term Disability coverage from the carrier to the GIC. This improved service

levels for over 30,000 enrollees. The department also coordinated annual health fairs, adding Saturday fairs in spring of 2000. It also ensured smooth logistics for over twenty fairs each spring. This included coordinating efforts between locations, enrollees, and the health plans so that enrollees had the opportunity to explore their options during annual enrollment.



The GIC's legal team overhauled all HMO contracts and handbooks to improve readability and focus. This work provided more usable documents for plans, the GIC and members alike, and will reduce future work to produce the documents annually. Reviewing an HMO contract are Bob Johnson, GIC Deputy Director, and Lisa Boodman, Counsel.

MAKING IT HAPPEN

Policy and Program Management

The Policy and Program Management Division collects and analyzes data on plan performance and costs, researches new benefits, plan design, managed care, and monitors legislative developments, and oversees plan selection, program implementation, and administration. During FY99, the department managed two plan and consultant procurements; in FY00 it managed four.

In September 1999 the department transferred the appeals database onto an enhanced tracking system. This conversion, and internal management procedures, translated into substantially improved appeals turnaround time. In FY99 51.4% of appeals were completed within 75 days; for FY00, the number jumped to 91.2%.

The Policy and Program Management staff was the critical force in making the DO IT Diabetes, Coronary Artery Disease, and PREMIER programs a reality. These successes are outlined on pages 9 through 11.



The GIC services over 176,000 calls a year. The Operations and Services department also processes 1,800 death claims, 1,400 new retirees, 2,500 leave-of-absence requests, and 5,400 leaving state service requests annually. The department's retirement unit answers a variety of calls. Pictured clockwise from right, Donna Johnson, Grace Stewart, Lillian Del Valle, and Benjamin Pettie

Financial Management

The Financial Management Division is responsible for the Commission's financial and accounting activities, and it provides financial information and analysis. Through a disciplined approach, the department was able to improve the collection time of accounts receivable for premium reimbursements from housing and redevelopment authorities and other non-state agencies. This translated into greater cash flow to the Commonwealth. In FY99, the department collected \$36 million on accounts receivable. In FY00 it collected over \$41 million.

In FY00 the Financial Management Division assumed accounting responsibility for long-term disability from the Office of the State Treasurer. Its efforts ensured a streamlined and efficient payment system between the GIC and insurance carrier.

Legal Services

The Legal Services Division provides a diverse array of services including contract drafting, review and analysis, monitoring medical and health policy issues, and advising the Commission and staff about legal developments affecting the Commission's work. Counsel participated in the work group for Mental Health parity legislation and assisted the Senate Ways and Means Committee with drafting the corresponding language that helped make this important legislation a reality for Massachusetts subscribers.

Balancing privacy concerns with the need for accurate data was another important issue the legal unit undertook. Counsel helped to create an Institutional Review Board to review applications for research using the GIC's anonymized data. The Board has a majority membership of non-GIC

MAKING IT HAPPEN

experts, including a health data specialist, Epidemiologist, and medical school dean emeritus. One example of the value of health care research: An analysis of GIC claims data in 1992 showed a disturbing lack of post-hospital follow-up visits for children with mental health conditions and was a catalyst for the GIC's expansion of mental health services to cover intermediate level care and offer case management for our members. Subsequent analysis showed that the new program worked.

The Legal Services Division also overhauled all HMO contracts and handbooks to improve their readability and consistency, reducing the length of each contract by half. The department also worked with the Attorney General's office to handle agency-related litigation.

Information Systems and Technology

The Information Systems and Technology Division manages and maintains all agency computer hardware and software. The division's data entry unit enters transactions and verifies the integrity of data on the system. During FY99 and FY00 the department undertook the major initiative of implementing the state's new Human Resources Compensation Management System (HR/CMS). The division played an integral part in converting the two existing payroll systems, PMIS and CAPS, into a bi-weekly payroll structure. The Information Systems and Technology Division's efforts of testing interfaces and security, coupled with developing a new on-line benefit system, ensured that accurate and timely GIC benefit deductions were made.

This unit also designed and analyzed necessary system modifications for the county employee benefits takeover. The Information Systems and Technology Division's efforts ensured that affected county employees had uninterrupted

benefits and that the correct premium contributions were made. The department also designed and implemented the addition of long-term disability benefits onto GIC's database. Ensuring Y2K compliance for all GIC systems and vendors was another prime accomplishment of this department.

Administrative Services

The Administrative Services Division supports Commission staff, Commonwealth agencies, and enrollees. The public information department services enrollees by phone and mail. The facilities department sends health and other GIC program supplies to agencies. The agency's human resources department is also critical to the GIC's success. The division played an integral role in the HR/CMS implementation, annual enrollment, and the pharmacy benefit manager conversion.

The Administrative Services Division instituted a telephone abandonment project at the end of FY99. Through technical and management improvements, the department was successful in reducing the number of unanswered calls to the agency. For FY00 the division decreased the agency's unanswered calls by 18.9% over FY99.

The GIC sends out over 121,800 pieces of mail from the agency annually. This is exclusive of its 148,000 quarterly newsletters, 145,000 annual benefit statements, and 193,000

annual Benefit Decision Guides. Here Minh Dang and Andrew Cook sort mail.



LOOKING AHEAD

Plan Procurements

The GIC and our consultants are reviewing most benefit designs and vendors for the next three years. What benefit design enhancements make sense? Are there other health plans we should consider? What vendors can provide the services we are looking for in a cost effective manner? New contracts will be awarded across many plans in spring 2001.

Risk Assessment and Risk Adjustment

GIC's health plan premiums differ markedly from one another. We know from analyzing our data that younger and healthier enrollees are enrolled in the HMOs, and older and sicker enrollees are enrolled in the Indemnity Plan. We also learned that the relative health of HMO enrollees varied among the HMO plans and did not always correlate with the rates those plans charged. Unanswered were what part of each plan's rate structure was a function of a plan's health risk mix, and what part was a function of the plan's administrative costs. In FY99 and FY00 the Commission requested that all health plan rate bids include a risk-adjusted bid, that is the rate the plan would bid if it insured GIC enrollees of average health risk.

The Commission is gathering the information to determine what its next steps might be. How can the Commission reduce plans' incentive to avoid enrolling less healthy subscribers? How can the Commission improve plan choice for both healthy and less healthy enrollees? How can the Commission improve the affordability of the Indemnity Plan? Risk adjustment, modifying the premiums based on the risk pool makeup of the plan, is one avenue the Commission is pursuing to answer these questions and concerns.

The Internet

The Internet offers an obvious means for improving access to the GIC, our plans, and other health resources. The GIC is working diligently and deliberately to make this a reality. At the same time we are evaluating what other tools and transactions can be used to bring together enrollees, plans, agencies, and providers effectively, safely, and efficiently.

Patient Safety

In the fall of 1999 the Institute of Medicine (IOM) published an alarming report. *To Err is Human: Building a Safer Health System* revealed that 44,000 to 98,000 Americans die each year as the result of preventable medical errors. The report emphasized that many of these errors are system failures, not just human errors, and they are therefore capable of being corrected.

The GIC wants to improve enrollee health safety. We are evaluating how we can best leverage our position as one of the top purchasers of health care in New England to improve patient safety. What tools can we give enrollees? How can we provide incentives to plans and providers to improve patient safety?

These are just three of the initiatives the GIC is working on to improve quality health care and contain costs for our enrollees, state agencies, and Massachusetts taxpayers.

Thank you for supporting the GIC and our mission.

Spring
Contracts and amendments negotiated,
streamlined and signed
Plan handbooks and ID cards prepared

GROUP INSURANCE COMMISSION

STATEMENT OF COMMONWEALTH'S SHARE OF EXPENDITURES

DESCRIPTION	FY1999 EXPENDITURES	FY2000 EXPENDITURES
ADMINISTRATION	\$2,027,754	\$2,075,096
STATE EMPLOYEES' AND RETIREES' LIFE AND HEALTH INSURANCE	\$535,277,204	\$555,379,707
ELDERLY GOVERNMENTAL RETIREES' HEALTH INSURANCE	\$1,497,342	\$1,300,941
RETIRED MUNICIPAL TEACHERS' LIFE AND HEALTH INSURANCE	\$24,987,330	\$27,139,811
DENTAL AND VISION PROGRAM FOR NON-UNION EMPLOYEES	\$3,990,108	\$4,649,841
TOTAL	\$567,779,738	\$590,545,396

RATE STABILIZATION RESERVE STATEMENTS

JULY 1, 1998-JUNE 30, 1999				
RESERVE	BALANCE 7/1/98	RECEIPTS 7/1/1998-6/30/1999	EXPENDITURES 7/1/1998-6/30/1999	BALANCE 6/30/1999
BASIC LIFE	\$1,674,828.85	\$87,128.51	\$0.00	\$1,761,957.36
OPTIONAL LIFE	\$4,619,309.89	\$4,421,749.06	\$0.00	\$9,041,058.95
EMPLOYEE HEALTH	\$1,789,219.14	\$64,636.74	\$815,952.87	\$1,037,903.01
EGR HEALTH	\$1,666,126.72	\$82,077.75	\$364,977.60	\$1,383,226.87
RMT LIFE	\$73,496.38	\$3,762.98	\$0.00	\$77,259.36
RMT HEALTH	<u>\$50,575.83</u>	<u>\$1,756.82</u>	<u>\$0.00</u>	<u>\$52,332.65</u>
TOTAL	\$9,873,556.81	\$4,661,111.86	\$1,180,930.47	\$13,353,738.20

JULY 1, 1999-JUNE 30, 2000(ESTIMATED)				
RESERVE	BALANCE 7/1/99	RECEIPTS 7/1/1999-6/30/2000	EXPENDITURES 7/1/1999-6/30/2000	BALANCE 6/30/2000
BASIC LIFE	\$1,761,957.36	\$92,621.58	\$0.00	\$1,854,578.94
OPTIONAL LIFE	\$9,041,058.95	\$480,204.25	\$0.00	\$9,521,263.20
EMPLOYEE HEALTH	\$1,037,903.01	\$45,626.87	\$128,252.89	\$955,276.99
EGR HEALTH	\$1,383,226.87	\$65,151.62	\$209,590.96	\$1,238,787.53
RMT LIFE	\$77,259.36	\$4,061.34	\$0.00	\$81,320.70
RMT HEALTH	<u>\$52,332.65</u>	<u>\$1,459.91</u>	<u>\$31,961.00</u>	<u>\$21,831.56</u>
TOTAL	\$13,353,738.20	\$689,125.57	\$369,804.85	\$13,673,058.92

EMPLOYEES' TRUST FUND STATEMENTS

STATE EMPLOYEES' TRUST FUND

JULY 1, 1998-JUNE 30, 1999		JULY 1, 1999-JUNE 30, 2000(ESTIMATED)	
BALANCE 7/1/1998	\$4,331,177.75	BALANCE 7/1/1999	\$4,367,048.38
RECEIPTS	\$672,344.63	RECEIPTS	\$756,144.14
EXPENDITURES	<u>(\$636,474.00)</u>	EXPENDITURES	<u>(\$649,409.09)</u>
BALANCE 6/30/1999	\$4,367,048.38	BALANCE 6/30/2000	\$4,473,783.43

ELDERLY GOVERNMENTAL RETIREES' TRUST FUND

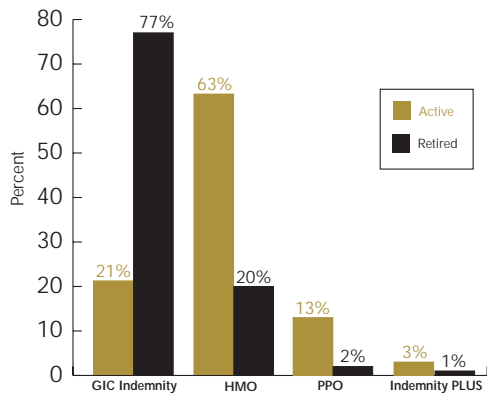
JULY 1, 1998-JUNE 30, 1999		JULY 1, 1999-JUNE 30, 2000(ESTIMATED)	
BALANCE 7/1/1998	\$602,085.33	BALANCE 7/1/1999	\$633,407.24
RECEIPTS	\$31,321.91	RECEIPTS	\$30,604.20
EXPENDITURES	<u>\$0.00</u>	EXPENDITURES	<u>(\$98,624.92)</u>
BALANCE 6/30/1999	\$633,407.24	BALANCE 6/30/2000	\$565,386.52

RETIRED MUNICIPAL TEACHERS' TRUST FUND

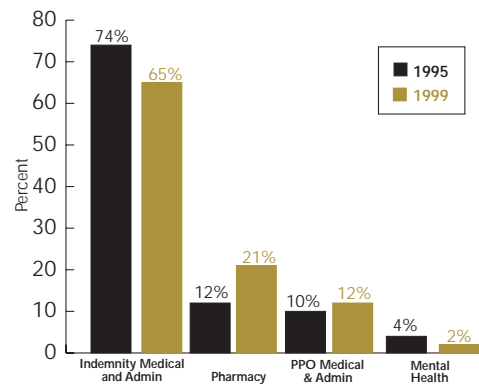
JULY 1, 1998-JUNE 30, 1999		JULY 1, 1999-JUNE 30, 2000(ESTIMATED)	
BALANCE 7/1/1998	\$353.55	BALANCE 7/1/1999	\$371.94
RECEIPTS	\$18.39	RECEIPTS	\$19.56
EXPENDITURES	<u>\$0.00</u>	EXPENDITURES	<u>\$0.00</u>
BALANCE 6/30/1999	\$371.94	BALANCE 6/30/2000	\$391.50

TREND REPORTS

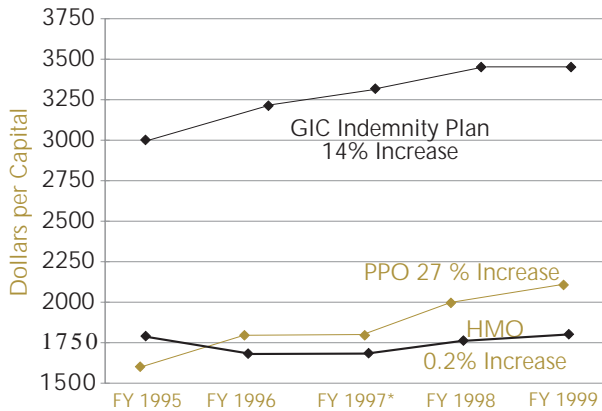
PERCENTAGE OF GIC ACTIVE AND RETIRED MEMBERS BY PLAN FY99



FIVE YEAR CHANGE
INDEMNITY & PPO EXPENDITURES BY PERCENTAGE OF TOTAL



PLAN COST PER INSURED
FY95-FY99



* PLUS Plan began in FY 1997



The Financial Management Division manages expenditures of \$1.8 million a day and revenue collections of a half million per day. To constantly monitor its progress, the team reviews reports daily. Pictured left to right are Loretta Ristino, Marty Foley, and Siny Fitzgerald.

Year Round
Litigation
Institutional Review Board



COMMONWEALTH OF MASSACHUSETTS

ARGEO PAUL CELLUCCI, Governor

JANE SWIFT, Lieutenant Governor

Group Insurance Commission

DOLORES L. MITCHELL, Executive Director

COMMISSIONERS

STEPHEN CROSBY, Secretary of Administration and Finance

DESIGNEE, Peter V. Forman

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RICHARD WARING, NAGE

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